

**MINUTES OF THE SPECIAL MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**HELD ON
Friday, August 29, 2000
2:30 p.m., MST**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room of the ASRS office at 3300 North Central Avenue, Phoenix, Arizona 85067-3910. Dr. Chuck Essigs, Chairman, Arizona State Retirement System Board called the meeting to order at 2:31 p.m., MST.

The meeting was teleconferenced to the ASRS Tucson office, 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710-3776.

1. Call to Order; Roll Call; Opening Remarks

Present: Dr. Chuck Essigs, Chairman
Dr. Merlin DuVal
Ms. Bonnie Gonzalez
Mr. Jim Jenkins
Mr. Alan Maguire (arrived at 2:44 p.m.)
Mr. Norman Miller
Mr. Karl Polen (arrived at 2:33 p.m.)

Excused: Mr. Jim Bruner
Mr. Ray Rottas

A quorum was present for the purpose of conducting business.

2. Presentation, Discussion and Appropriate Action Regarding the Review and Recommendation of the ASRS Budget for Fiscal Year 2002/2003

Mr. Kent Smith, Assistant Director, Information Services Division, discussed the Information Technology (IT) plan, which includes five integrated technology enhancements to better handle anticipated growth in the ASRS membership and members' demands for services.

Mr. Karl Polen arrived at 2:33 p.m.

Mr. Smith identified the five components as 1) the Public Employees Retirement Information System (PERIS), which will transition old computer systems to a new relational database, 2) the development of internet applications, 3) the Electronic Document Imaging Management System (EDIMS) to convert paper to electronic files, 4) the upgrading of telephones and the network, and 5) a Project Management Team headed by an outside consultant to ensure the success of the plan.

Ms. Donna M. Buelow, Assistant Director, Member Services Division summarized current service demands and member satisfaction levels and indicated how the requested technology can help the ASRS reach long term service objectives from a member services perspective. With better and quicker access to member information, the ASRS can reach service goals, such as reducing the abandonment rate of incoming calls from 14 percent to 10 percent and reducing the number of callbacks.

Mr. Alan Maguire arrived at 2:44 p.m.

Mr. Norman Miller asked why there would only be a marginal reduction in the abandonment rate with the new technology.

Ms. Buelow responded that staffing plays the biggest factor in the abandonment rate, but when combined with improved technology, staff will be able to access all the information more quickly. In addition, it will allow members to access their own records and other ASRS services without assistance to answer generic questions or problems. Staff would then be more available for more complicated inquiries. The 10 percent figure is really a cap rather than the lowest possible rate.

Dr. Merlin DuVal observed that the ASRS service levels are already comparatively impressive and suggested that, from a cost-benefit analysis, the goal should be lower than a 10 percent abandonment rate to justify the costs of the new technology.

Mr. Anthony Guarino, Deputy Director, Chief Operations Officer noted that with additional staffing the 10 percent objective could probably be lower, but pointed out that it becomes progressively harder to decrease the abandonment rate as you get closer to zero.

Ms. Prudence Lee, Human Resources/Budget Manager discussed the resource requirements for the IT projects and staffing plans. She illustrated two approaches for requesting the budget: 1) Request all the project money in FY 02 and designate it as non-lapsing, with Board approval of requests for expenditures under those projects, and 2) Segment the cost of the IT projects over the next three fiscal bienniums, FY 02 through 07.

Mr. Miller asked if the ASRS has studied other systems that have asked for comparable capital and to what degree the ASRS has sophisticated the Request-for-Proposal (RFP) to ensure it meets the project timetables.

Mr. Smith responded that the scope-of-work will be developed for the RFP process over the next 16-18 months and that other systems will be consulted.

Mr. Jim Jenkins asked whether the investment in the IT program would limit the growth of the operating budget.

Ms. Lee answered that the effect the new technology has on the operating budget has not been determined and that the numbers offered are projections of reasonable growth rates in normal operating costs.

Mr. Miller noted that it would be useful to show the dividends of the plan, or the offsetting effect the technology will have on costs in the operating budget.

Dr. DuVal observed that looking at the cost in personnel absent technology and comparing it to the number of staff needed with technology would be useful when advocating new technology.

Mr. Alan Maguire expressed disappointment with the allocation of the 32 FTEs. He believes the FTEs should be focused on benefits personnel and questioned the request for four FTEs for support staff.

Ms. Lee replied that the logic behind the support staff is that in addition to the everyday work of those employees, the IT projects would generate work unique to the implementation of those programs.

Mr. Maguire also expressed disappointment with the sequencing of the projects and felt the staging is inconsistent with the highest priorities of the system. He noted that historically, government agencies have not been successful implementing complex technology systems and questioned whether there is currently a sufficient number of staff at the ASRS with the professional experience managing projects of this scope.

Mr. Jenkins pointed out that each project recommends a consultant project manager and staff be hired, and he complimented the ASRS staff for their work on the plan.

Dr. Essigs pointed out that when looking at the RFP, the ASRS would identify major contractors who would be responsible for making sure their components work. As the plan progresses, the Technology and Long Range Planning Board Committee will take an active role in monitoring the plan and making sure it meets the timetables.

Mr. Maguire also expressed concern about requesting all of the funding the first year and suggested asking for a single appropriation for multiple time periods covering the projected cost of the special line items.

Motion: Mr. Jim Jenkins moved that the Board approve the Information Technology and staffing plan for FY02/03 with funding of the IT projects segmented over the next three biennium budget years, from FY02 through FY07. Further moved that the request be designated as non-lapsing at the end of each biennium.

Dr. Merlin DuVal seconded it.

Mr. Miller asked whether, as part of the plan, there was an independent consultant who worked on developing the plan and who could monitor staff and report directly to the Board as to the progress of the project.

Mr. Jenkins responded that consultants will be hired for each individual project and it will be the job of the ASRS staff, notably Mr. Kent Smith, Assistant Director, Information Services Division, to report to the Board.

Mr Smith also noted that the IT proposal includes money for a project director to oversee all of the tasks in each project.

Mr. Guarino added that the project directors will report to the Technology and Long Range Planning Board Committee, as well as the state Government Information Technology Agency (GITA), which has to approve the project investment justification (PIJ). Every month they will also have to report to ITAC, a committee made up of GITA staff and appointees, on the progress of the project.

Substitute Motion: Mr. Alan Maguire moved that the Board approve the proposed budget for FY02/03 and in addition approve funding for the IT projects as separate line items appropriated over the next three biennium budgets from FY02 through FY07. Further moved that the IT request be designated as non-lapsing at the end of each biennium and that expenditures from the IT line items be subject to review and release by the Board or a committee thereof.

Mr. Karl Polen seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 2 excused, the motion was approved

3. Call to the Public

There were no requests to speak from the Phoenix or Tucson public.

4. Adjournment of the ASRS Board.

Dr. Chuck Essigs, Chairman, adjourned the August 29, 2000 special meeting of the ASRS Board at 4:12 p.m.

Respectfully submitted,

Maurah Harrison, Secretary

Date

LeRoy Gilbertson, Director

Date